Bank of England maps out social counter-revolution

Chris Marsden
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The Bank of England (BoE) has increased interest rates by 0.5 percentage points to 1.75, the largest rise in 27 years. It did so to deepen the long recession now begun in the UK, intending to push up unemployment and social hardship for millions.

The Bank of England's Monetary Price Committee (MPC) announced its decision on Friday. The rate rise is part of aggressive moves by the world's leading central banks led by the US Federal Reserve and the European Central Bank to "crush" demands for higher wages amid the greatest cost-of-living crisis since the 1930s.

In its statement released Friday, the BoE said inflation had "intensified significantly" since its May Monetary Policy Report and the MPC's previous meeting, saying "this largely reflects a near doubling in wholesale gas prices since May, owing to Russia's restriction of gas supplies to Europe and the risk of further curbs."

It predicted Consumer Price Index (CPI) inflation would rise to over 13 percent by October, and "remain at very elevated levels throughout much of 2023", driven largely by the lifting of energy price caps. Domestic fuel bills are expected to rise by a further 50 percent in October and again in January.

The BoE made clear its central concern is to contain demands for higher wages. The governors complained that job vacancies were at "historically high levels" with unemployment at just 3.8 percent. This, combined with labour shortages in key sectors, was encouraging high "underlying nominal wage growth" and a broad "increase in recent wage settlements."

Despite wages lagging far behind inflation, the BoE sounded the alarm over a 5 percent growth in private sector wages compared with 3.5 percent before the pandemic. It warned that public sector pay was set to grow by 4 percent, compared to 1.8 percent in the three months to May.

Significantly, the BoE's survey of employers "suggested that businesses expected to increase pay deals by around 6 percent over the next twelve months," less than half the current rate of (Retail Prices Index) RPI measure of inflation, yet sufficient to raise the BoE's hackles.

The bank explained that "the pressure on wage growth" can only be combatted via recessionary policies, especially via a surge in unemployment by at least 600,000 next year.

The bank's governors described the risks to the economy from external and domestic "shocks" as "exceptionally large."

In raising interest rates, the BoE is enforcing the dictates of financial markets, corporate boardrooms and banks in response to a growing wave of strikes and wildcat actions that is threatening to snowball. Its supposedly impartial economic pronouncements are an agenda for class war.

The working class is to be forced to pay for a global inflationary crisis triggered by: 1) trillions of pounds in corporate and financial bailouts by central banks during the pandemic, 2) NATO's proxy war against Russia that has led to fuel and commodity price hikes, and 3) unprecedented profiteering by the financial oligarchy that has inflated global asset prices worldwide.

The ruling elite intends to force through the largest ever increase in defence spending to wage war against Russia and China via a frontal assault on the working class.

Its tightening of monetary policy is above all a response to the eruption of strikes involving hundreds of thousands of workers after decades in which the class struggle has been suppressed.

Strikes by rail, post and British Telecoms and bus workers have already taken place, and this week saw wildcat strikes over pay at three Amazon warehouses and a food manufacturing company. The ruling class fears this movement will spread, with nurses, doctors, teachers, firefighters, lecturers, civil servants, lawyers and council workers determined to strike after being offered pay rises of as little as 2 percent that will push millions over the edge.

The Bank's aim is to counter this rising wave of militancy by forcing desperate workers to accept further savage pay cuts or face mass unemployment and financial ruin.

While workers' wage demands are being blamed for inflation, the real cause is a staggering increase in corporate profits. Amid the pandemic and NATO's proxy war against Russia, profit gouging is responsible for around 60 percent of the increases in inflation.

Record profits of nearly £50 billion have been announced by the world's five biggest oil companies, including £6.9 billion for BP between April and June, and $11.5 billion for Shell. A June 2022 report by the Unite union notes that the top 350 companies listed on the London Stock Exchange saw profits jump by 73 percent in 2021 compared with the year before the pandemic. UK-wide company profits jumped 11.74 percent in the six months from October 2021 to March 2022.

In stark contrast, average wages remain no higher today than they were before the 2008 financial crisis, a loss of £9,200 per year. As a result, galloping inflation means more than two million households are going without "heating or eating," according to the Joseph Rowntree Foundation, and seven million families are living through a "frightening year of financial fear."

Low-income households have borrowed £12.5 billion of new debt in 2022, including £3.5 billion from doorstep lenders and loan sharks. Now they will be squeezed for even higher loan repayments. The rise in interest rates will also be passed on to mortgage holders. With average house prices already nine times more than average annual income, millions will go to the wall.

Half of families have savings of less than a month's income and over 1.3 million households have no savings at all. With UK energy bills set to double to nearly £4,000 this winter, alongside soaring food prices, the number of families without savings will reach 5.3 million. For 1.2 million families, food and energy bills alone will exceed their disposable incomes.

In this explosive situation, the ruling class has relied on the trade unions to impose de facto pay cuts by isolating and suppressing strikes and agreeing sell-out pay deals. This led to a decline in real wages of 3.7 percent in the three months to the end of May.

But this cannot continue. Massive social anger threatens to erupt outside of the control of the trade unions.

The raising of interest rates is only one aspect of the ruling class offensive. The Conservative government is using its leadership contest to fashion the most right-wing policy agenda since the 1930s and is introducing a battery of repressive measures against the right to strike and protest.

Labour's role is critical in enforcing this agenda. Its leader Sir Keir Starmer denounces "magic money tree economics" almost as often as he condemns strikes. Speaking to BBC Radio Merseyside he said Labour was "being very clear we unshakably support NATO, being very clear we are unashamedly pro-business, we work with business."

The battle facing the working class is not simply against one or another employer but against the entire capitalist class, its state and its parties.

To defeat this conspiracy of the ruling class, workers must combine an industrial offensive waged independently of the trade union bureaucracy through the formation of rank-and-file committees in every workplace, with a political struggle directed against the parties of big business.

The Socialist Equality Party is demanding an immediate general election to expose and defeat the ruthless plans of the Tories and Labour and advance the fight for a genuine socialist alternative to austerity, the ongoing pandemic and the growing danger of world war.